

State of Michigan
Office of Financial and Insurance Services
Report on the State of Competition in the
Small Employer Carrier Health Market

May 15, 2007

On July 21, 2003, Governor Granholm signed into law Public Act 88, which added Chapter 37 to the Michigan Insurance Code, MCL 500.3701 et seq. The legislation had an effective date of January 23, 2004.

This new chapter provided the regulatory framework for small employer group health coverage. Among other things, it added to Michigan law certain protections that already existed under the federal Health Insurance Portability and Accountability Act (HIPAA) for guaranteed issuance of health care coverage in the small employer market as well as rating rules for small employer groups. Small employers are defined under MCL 500.3701(p) as:

Any person, firm, corporation, partnership, limited liability company, or association actively engaged in business who, on at least 50% of its working days during the preceding and current calendar years, employed at least 2 but not more than 50 eligible employees. In determining the number of eligible employees, companies that are affiliated companies or that are eligible to file a combined tax return for state taxation purposes shall be considered 1 employer.

Under Section 3721, (MCL 500.3721) the Commissioner of the Office of Financial and Insurance Services was required by May 15, 2007 and each May 15 thereafter, “to make a determination as to whether a reasonable degree of competition in the small employer carrier health market exists on a statewide basis.” This report on the Commissioner’s determination is therefore being respectfully offered to the governor, the clerk of the house, the secretary of the senate, and all the members of the senate and house of representatives standing committees on insurance and health issues, as required under MCL 500.3721(4).

In order to make her determination, the Commissioner was required under Section 3721 to hold a public hearing on the matter. The public hearing was announced on March 7, 2007 and held on March 20, 2007. In the public hearing announcement, a request for input was posted on the Office of Financial and Insurance Services (OFIS) website, and mailings were submitted to organizations and individuals identified as “interested parties”. Interested parties included physician, hospital, and pharmacy associations, and various Michigan chamber of commerce and small business associations. Of those parties from whom information was solicited, only the Small Business Association of Michigan (SBAM) and the Michigan Association of Health Plans (MAHP) responded.

Carriers and the public were encouraged to provide input on this matter in any way they chose; however, a list of specific questions/issues were also posed by the Commissioner.

Unfortunately, only 7 attended (other than the Commissioner's staff). Neither verbal nor written testimony was offered at the hearing.

The Commissioner left the record open until March 30, so that all interested parties could submit written testimony on this issue. Those questions posed were as follows:

1. Is it your position that any one particular small employer carrier (named company) or carrier type (i.e. Health Maintenance Organization, Blue Cross Blue Shield of Michigan, or commercial carrier) unfairly controls the market? If so, upon what is that position based, and why? If there is a carrier unfairly controlling the market, what remedy(ies) do you recommend?
2. Is it your position that there are enough small employer carriers offering coverage to ensure that small employers have multiple carrier options from which to choose? If you believe there are geographic areas within Michigan that are lacking a sufficient number of small employer carriers available for small employers, please identify those areas. Please also recommend what resolution(s) you would recommend to correct this deficiency.
3. Is it your position that each carrier has enough benefit plan options from which to choose? If not, what benefit plan options are missing from the small employer carrier market?
4. Most, if not all carriers writing in the small employer carrier market use a different rating criteria when writing small employer groups than the criteria or methodology used when writing larger employer groups. When these practices are actuarially sound and applied uniformly, do you believe this is a reasonable practice? Why or why not? Does this practice impact competition in the small employer carrier market either positively or negatively? If so, in what way?
5. Chapter 37 of the Insurance Code allows for small employer carrier rates to be adjusted only for certain case characteristics, and those case characteristics may only be adjusted within the rate bands described in MCL 500.3705. Under this section, Blue Cross Blue Shield of Michigan (BCBSM) may adjust rates according to age and industry, Health Maintenance Organizations (HMOs) may adjust rates according to age, industry, and group size, and commercial carriers may adjust rates according to age, industry, group size, and health status. The rates charged for a given benefit plan within a given geographic area may not vary more than 35% above or below the index rate for BCBSM and HMOs; rates may not vary more than 45% above or below the index rate for commercial carriers.

The law allowing for strict rate bands and defined case characteristics by carrier type went into effect in January, 2004. Please focus on the degree to which the state of competition may have changed since this law was enacted when responding to the following:

- a. Is the rate disparity (+/- 35% or 45%) allowed under Chapter 37 reasonable? Does the rate disparity between the highest and lowest allowable rates impede competition in the small employer carrier market? Have the defined rate bands had an impact on the degree of competition in the small employer carrier market? If so, please elaborate.
 - b. Do any/all of the case characteristics as listed above have an effect on the state of competition in the small employer carrier market? If so, please describe what impact you believe case characteristics have had on this market.
6. Overall, have you found the rates charged for small employer carrier health benefit plans to be reasonable? Excessive? Unfairly discriminatory? If you believe that rates charged are either excessive or unfairly discriminatory, please describe in what way they are either excessive or unfairly discriminatory, and what recommendation(s) you may have to rectify the issue(s).
7. Public Act 88 of 2003 is the Act that added the Small Employer Group Health Coverage language known as Chapter 37 of the Michigan Insurance Code. It was passed in July, 2003 and enacted in January, 2004. Rates for health care coverage in all market segments has continued to increase since the implementation of PA 88 over three years ago. However, do you believe this act has had any effect on the rates charged to small employer groups for health care coverage? If so, what effect?
8. Do you believe Public Act 88 of 2003 has had any effect on the state of competition in the small employer carrier health market? If so, what effect?
9. Please provide any other comments relevant to the state of competition in the small employer group market you may have. In particular, the Commissioner is interested in any comments relating to the effect of Public Act 88 of 2003 on the small employer group market.

The following parties responded to these questions:

Non-Carriers:

- 1) Michigan Association of Health Plans
- 2) Small Business Association of Michigan

Carriers:

- 1) Blue Cross Blue Shield of Michigan
- 2) Grand Valley Health Plan
- 3) Humana
- 4) Midwest Security Life
- 5) Principle Life Insurance Company
- 6) US Life & Health Insurance Company

Both carriers and the public, generally, were encouraged to comment on whether a reasonable degree of competition exists in the small employer health carrier market. However, in addition to seeking input with regards to competition in the small employer market, specific, relevant data was solicited from Michigan health maintenance organizations (HMOs) writing in the commercial market, Blue Cross Blue Shield of Michigan, and the 7 largest commercial insurance writers of small employer health coverage. Although comment on the state of competition in the small employer health market was optional, carriers were required to provide the data listed below. The Commissioner has authority to require companies to respond to requests for data under MCL 500.438 (3).

The carriers who were required to provide data were as follows:

Nonprofit Health Care Corporation

Blue Cross Blue Shield of Michigan

Health Maintenance Organizations

Blue Care Network
Grand Valley Health Plan
Health Alliance Plan
HealthPlus of Michigan
M-CARE
McLaren Health Plan
Paramount
Physicians Health Plan of Mid-Michigan
Physicians Health Plan of South Michigan
Priority Health
Total Health Care

Commercial Insurance Companies

American Medical Security Life Insurance Company
Humana Insurance Company
IBA Health and Life Assurance Company
John Alden Life Insurance Company
Midwest Security Life Insurance Company
Principle Life Insurance Company
US Health & Life Insurance Company

The data required of these carriers are as follows:

1. Prior to the enactment of the small Employer Group Health Coverage Chapter of the Michigan Insurance Code (PA 88 of 2003, effective January 23, 2004), how many benefit plans were offered in the small employer (2-50 employees) market?
2. How many different benefit plans are currently offered? Are these the same benefit plans offered before the passage of PA 88 of 2003? If not, please describe the change in benefit plans offered/sold.

3. Prior to January 23, 2004, were benefit plans offered/sold to any small employer groups offered/sold to any/all employer group(s)? If not, please describe how the determination was made as to which groups were eligible to purchase which products (i.e. based on group size? employer size?).
4. Have there been any changes in the number or location of your company's small employer group geographic rating area(s) within the State of Michigan since January 23, 2004? If so, please provide detail as to any change(s).
5. Please provide the number of your company's small employer group geographic rating areas within Michigan.
6. Please provide enrollment figures in the small employer carrier market for the years 2002 through 2006. If any significant enrollment change exists, please explain what impact, if any, you believe that the passage of PA 88 of 2003 may have on the change.
7. Please provide the index rate, or average premium charged for each benefit plan sold in the small employer carrier market between the years 2002 and 2006. Please provide this information in the form of a chart. Indicate what impact, if any, you believe that PA 88 of 2003 may have had on the premium rate change over that period.

All data and comment sought was for the purpose of responding to the elements required for the commissioner to make her determination as to the state of competition, as required under MCL 500.3721:

MCL 500.3721(3)

- a) The extent to which any carrier controls all or a portion of the small employer carrier benefit plan market.
- b) Whether the total number of carriers writing small employer health benefit plan coverage in this state is sufficient to provide multiple options to small employers.
- c) The disparity among small employer health benefit plan rates and classifications to the extent that those classifications result in rate differentials.
- d) The availability of small employer health benefit plan coverage to small employers in all geographic areas and all types of business.
- e) The overall rate level that is not excessive, inadequate, or unfairly discriminatory.
- f) Any other factors the commissioner considers relevant.

This report will consider each element required under MCL 3721(3) one at a time.
MCL 500.3721(3):

A. THE EXTENT TO WHICH ANY CARRIER CONTROLS ALL OR A PORTION OF THE SMALL EMPLOYER CARRIER BENEFIT PLAN MARKET ¹

In 2003 before Chapter 37 went into effect, the five largest writers of small employer health coverage based on member month enrollment were:

	<u>Company Name</u>	<u>Member Months</u>	<u>Market Share</u>
1.	Blue Cross Blue Shield of Michigan (BCBSM)	7,958,965	59.1%
2.	Priority Health	1,101,007	8.2%
3.	Blue Care Network of Mich. (BCN)	973,269	7.2%
4.	Health Alliance Plan (HAP)	464,915	3.5%
5.	American Medical Security Life Insurance Co. (AMS)	389,807	2.9%
	TOTAL		80.9%

Of these five companies, one was a nonprofit health care corporation, three were health maintenance organizations (HMOs), and one was a commercial insurance company.

To determine whether the addition of Chapter 37 to the Insurance Code had any impact on whether any one company controls all or a portion of the small employer health market, these same statistics were viewed for calendar 2006, which was the third year that Chapter 37 had been in effect. For 2006, the five largest writers in terms of member months were:

	<u>Carrier</u>	<u>Member Months</u>	<u>Market Share</u>
1.	BCBSM	4,918,196	42.8%
2.	Priority Health	1,322,361	11.5%
3.	Care Choices HMO*	1,132,241	9.9%

¹ PLEASE NOTE: All member month and market share statistics were provided by the small employer health carriers. This data came from lines 15 and 16 of the FIS 322 reports filed by writers of small employer group health coverage. The categories for lines 15 and 16 are “small employer major medical <50 PPA panel, and under <50 No PPA panel.

OFIS recently learned that at least BCBSM and possibly other carriers reported 2003 data based on the number of groups with 50 or fewer employees, regardless of employer size, rather than by employer size of 50 or fewer. Therefore, the enrollment and market share for any company reporting incorrectly may have been overstated.

BCBSM notified OFIS that the 2006 report was correct, and limited the data to groups with an employer size of 50 or fewer employees

4.	BCN	916,745	8.0%
5.	Principal Life Ins. Co.	374,284	3.3%
	TOTAL		75.5%

* In March, 2007 Care Choices HMO surrendered its certificate of authority when it was purchased by Priority Health HMO.

Again, the distribution by carrier type was one nonprofit health care corporation, three HMOs, and one commercial carrier. From the top 5 writers noted in the 2003 report, AMS dropped from number 5 to number 6, and HAP dropped from number 4 to number 9.

A complete copy of the table listing all small employer carriers reporting enrollment by member months, Michigan premium written, average premium, member months, and market share can be found at the end of this report under Appendix A.

From these changes over the three-year period, one can note:

1. BCBSM's market share dropped from 59.1% to 42.8%
2. Priority Health's market share increased from 8.2% in 2003 to 11.5% in 2006, and with the purchase of Care Choices HMO, Priority Health's market share essentially increased from 8.2% to 21.4%.
3. In 2003, in order to list the top small employer health carriers that comprised 80% of the small employer health carrier market share, only 5 carriers were listed. In 2006, the top 7 carriers had to be listed in order to reach a total of 80% of the total market share.
4. The two additional carriers named to reach the 80% market share were both commercial carriers, meaning that while only 1 of the top 5 carriers was a commercial insurer, but 3 of the top 7 carriers writing in the small employer health market were commercial insurers..
5. The top three HMO writers of small employer health coverage made up 29.4% of the entire small employer health market, up from 18.8% in 2003.

Another method by which to look at the changes in the competition within the small employer group health market was to look at the Herfindahl-Hirschman Index, or HHI. The HHI is a measure of the size of firms in relationship to the industry and is used as an indicator of the amount of competition among those firms. Decreases in HHI generally indicate an increase in competition, whereas increases imply a decrease in competition. Using the data from the FIS 322 forms, the HHIs for the years 2003-2006 were:

<u>Year</u>	<u>HHI</u>
2003	4032
2004	3574
2005	3506
2006	2467

As one can see, there has been a slow yet steady improvement in the amount of competition using the HHI during those years.

Much overlap was found between the following two categories [MCL 500.3721(b) and (d)]; therefore, for the purposes of this report, they have been combined.

B. WHETHER THE TOTAL NUMBER OF CARRIERS WRITING SMALL EMPLOYER HEALTH BENEFIT PLAN COVERAGE IN THIS STATE IS SUFFICIENT TO PROVIDE MULTIPLE OPTIONS TO SMALL EMPLOYERS:

D. THE AVAILABILITY OF SMALL EMPLOYER HEALTH BENEFIT PLAN COVERAGE TO SMALL EMPLOYERS IN ALL GEOGRAPHIC AREAS AND ALL TYPES OF BUSINESS.

In 2003, based on the member month data reported to OFIS on the FIS 322 reports, there were 43 carriers writing in the small employer health market. By 2006 that number had dropped slightly to 41.

Rated by market share, no company reporting member months ranked below 20th place had a market share greater than 1%. This decline in the number of carriers writing small employer health business in Michigan, therefore does not appear to have had much impact on the market. Concern was expressed by one respondent to the OFIS request for input in this matter concerning the lack of carriers participating in certain, more rural geographic areas, particularly in the Upper Peninsula and Northern Lower Peninsula of Michigan. However, while concern was expressed by carriers who may wish to write more business, no such concern was stated by the Small Business Association of Michigan (SBAM) the only entity responding to the survey on behalf of small business.

While concern may have been expressed about the lack of the carrier options in rural geographic areas, the number of benefit options offered to small employers by carriers written in any given geographic area appears to provide a more-than-adequate array of benefit options.

The following table represents the number of plan options offered both before and after the implementation of Chapter 37 of the Insurance Code. Note that the term “medical” refers to basic hospital/medical plan options, and “rx” refers to prescription drug benefit options.

NUMBER OF BENEFIT OPTIONS OFFERED

Carrier	Offered Prior Chapter 37	Offered After Chapter 37
BCBSM	20 medical 7 Rx	70 medical 11 Rx
BCN	9 medical 5 Rx	approx 900 combos 9 Rx
Grand Valley	**	**
HAP	16 medical	55 medical
HealthPlus	11 medical 4 – 6 Rx	34 medical 9 Rx
M-CARE	All benefit options offered	6 medical 3 Rx
McLaren	*** ***	1 base medical 26 Rx
Paramount	7 medical Rx **	8 medical Rx **
PHPMM	+100 medical Rx **	+100 medical Rx **
PHPSM	363 in 2002 447 in 2003	97
Priority Health	4 base medical 225-744 combos w/ Rx/other options	21 base medical 10,000 combos w/ Rx/other options
Carrier	Offered Prior Chapter 37	Offered After Chapter 37
Total Health	10 medical Rx **	43 Rx **
AMSLIC	11 medical Rx **	Company exited market 4/1/07 Rx **

Humana	4 medical Rx **	5 medical Rx **
IBA	2 std, + options	2 std, + options
John Alden	15 medical Rx **	16 medical Rx **
Midwest Sec	88 medical Rx **	233 medical Rx **
Princ. Life	1 form, 150 variations	1 form, 190 variations
US H/L	3 basic medical	same 3 plus variations

**** Data not provided**

***** McLaren began writing in the Small Employer Health Market in 2006**

Comments were received on the issue with regards to the number of benefit options offered in the small employer health carrier market. In a letter dated March 30, 2007, the Michigan Association of Health Plans (MAHP) stated “we believe many small employer groups are experiencing great difficulty with coverage availability because they have too few benefit plan choices.”

The table above demonstrates that lack of benefit plan choices does not appear to be an issue. However, the MAHP states that there should be more limited benefit plans available in the market from which employers could choose. They cite the Michigan First Health Care Program currently under development as an example. That benefit plan, if implemented, will offer limited coverage (i.e. up to \$35,000) per person per year for persons with incomes under 200% of poverty. Other, more comprehensive benefit plans options will eventually be offered to groups and individuals with higher income levels.

The goal for the first phase of the Michigan First Health Care Program is to provide at least limited health care coverage to currently uninsured, low-income Michigan residents. However, it would not provide the catastrophic coverage that would provide protection against losses great enough to put individuals and families at risk of bankruptcy. In addition, the lack of catastrophic coverage adds to the risk of uncompensated care expenses for provider, which oftentimes results in cost shifting to carriers providing more comprehensive coverage.

The Small Business Association of Michigan (SBAM), in a letter dated March 15, 2007, also commented about availability, stating: “The purpose of the new laws was to promote the availability of health insurance coverage to small employers, to prevent abusive rating practices, to require disclosure of rating practices to purchasers, to establish rules for continuity of coverage for employers and covered individuals and to improve the efficiency and fairness of the small group health insurance marketplace.”

SBAM provided no comment about whether the adequacy of choice in number of companies and benefit plans was lacking either before or after Chapter 37 was implemented, but stated that Chapter 37 has met their expectations. They do add, “however, much work continues in assuring the long term viability of the small group health insurance market, and, more importantly, the small employer market’s ability to afford health insurance coverage for their employees and families. Real progress can be made if we, as a state and as a nation, continue to focus on how health insurance is financed and begin focusing on the driving forces behind why health insurance is so expensive.”

Among the criteria to be reported on under this portion of MCL 500.3721(3)(d) is whether there is availability for “all types of business”. Information was sought on this issue from small employer carriers, small business associations and chambers of commerce, medical providers, other interested parties on the OFIS mailing list. No such concerns were noted by any respondent.

C. THE DISPARITY AMONG SMALL EMPLOYER HEALTH BENEFIT PLAN RATES AND CLASSIFICATION TO THE EXTENT THAT THOSE CLASSIFICATIONS RESULT IN RATE DIFFERENTIALS.

Prior to the implementation of Public Act 88 of 2003, BCBSM varied the rates it charged to small employers based on the employer’s industry classification, geographic area, and the participation rate of employees within an employer group choosing BCBSM.

HMOs could rate small employers based on the age, gender, industry, and geographic location of the group. Adjusting rates based on participation rates was not prohibited, but not used by HMOs.

Commercial carriers were allowed to rate based on any of the above-named criteria. In addition, however, commercial carriers were allowed to rate based on the health status of persons within the small employer group. While all carriers guaranteed the issuance of coverage to all small employer carriers, as required under the Health Insurance Portability and Accountability Act (HIPAA), commercial carriers had no limits as to the additional premium they were allowed to charge based on the health status of even one sick person within a group.

When PA 88 of 2003 was enacted, strict standards for rate adjustments were added for all carriers. All carriers were allowed to continue the practice of adjusting rates based on geographic location, with no carrier being allowed more than 10 geographic areas within the State of Michigan. No geographic area could be smaller than an entire county. The concepts of “rate bands” and “case characteristics” were introduced. Within a geographic area, a carrier could only vary the rate it charged for a given benefit plan by a certain percent. Within the band, rate variances could only be considered for specific case characteristics.

These applied to carriers as follows (MCL 500.3705(2)(a):

For a nonprofit health care corporation, only industry and age may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area. For a health maintenance organization, only

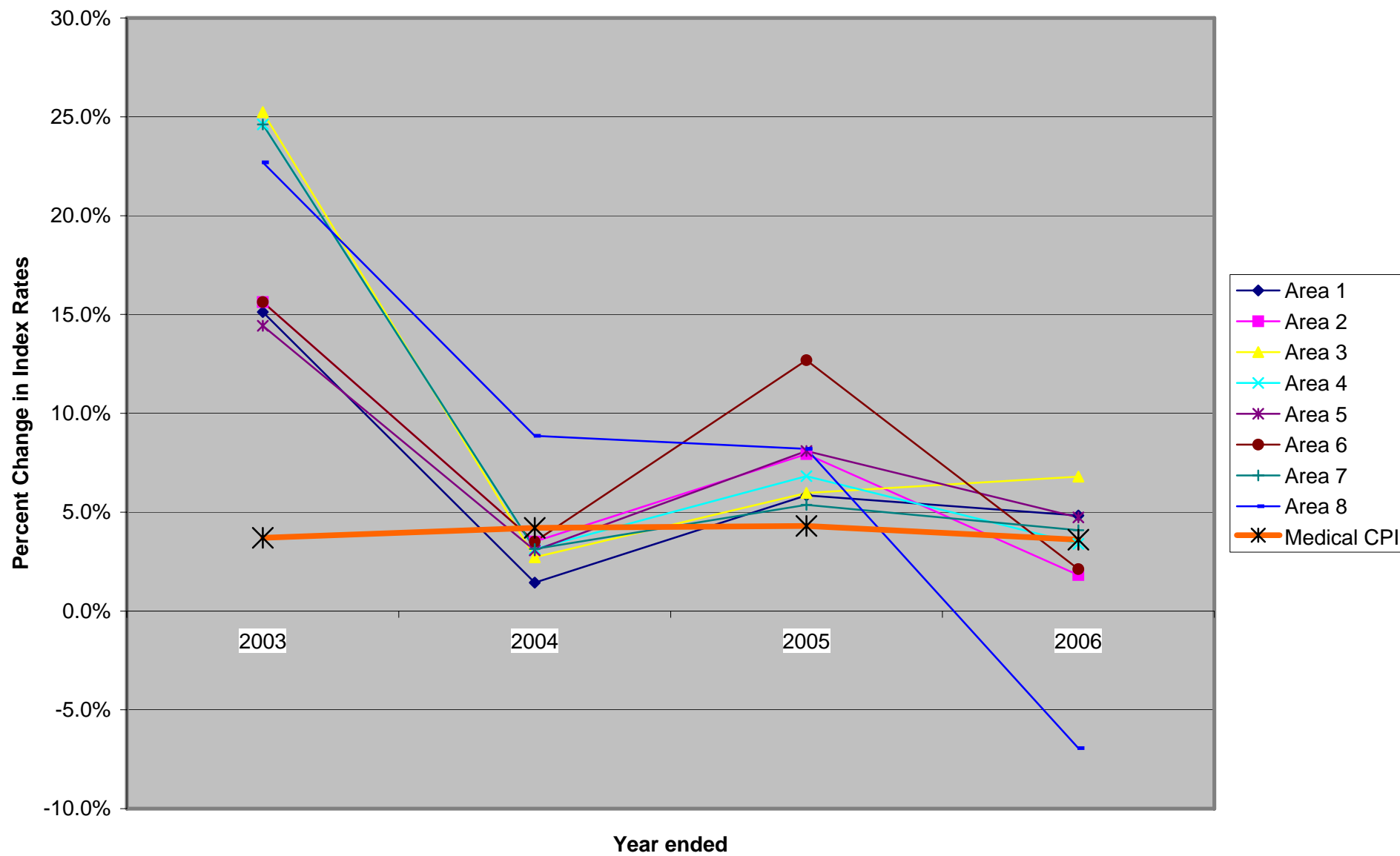
industry, age, and group size may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area. For a commercial carrier, only industry, age, group size, and health status may be used for determining the premiums within a geographic area for a small employer or sole proprietor located in that geographic area.

The rate bands established under MCL 500.3705 for BCBSM and HMOs was +/- 35% of the average, or index rate. Commercial carriers were allowed more flexibility, and could vary their rate by +/- 45% of the established index rate for a given benefit plan.

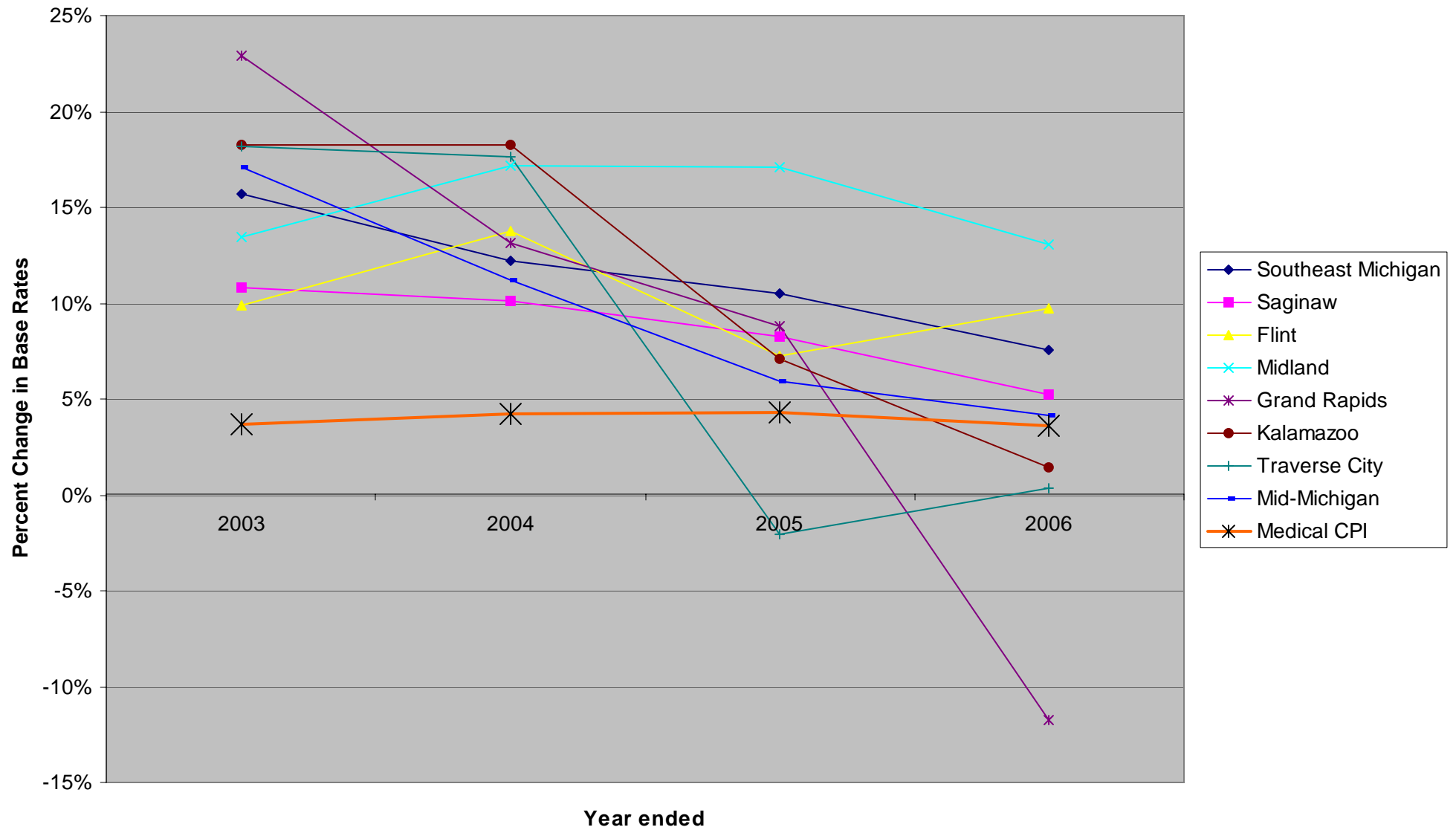
In order to verify that small employer health carriers were compliant with these requirements, MCL 500.3715(2) required each small employer carrier to file with the Commissioner an actuarial certification each March 1st, that the carrier is in compliance and that the rating methods of the carrier are actuarially sound.

The following charts show the change in the small employer index rates for the most commonly sold plans for BCBSM, BCN, Priority Health, and John Alden. BCBSM is the only nonprofit health care corporation, and BCN and Priority Health are the two largest HMO writers of small employer health coverage. While not the largest commercial carrier, John Alden was selected to view changes in index rates because their reporting method was more amenable to reflect in a chart, and their experience appeared to reflect what is generally occurring in the small employer group health market with regards to commercial insurance carriers.

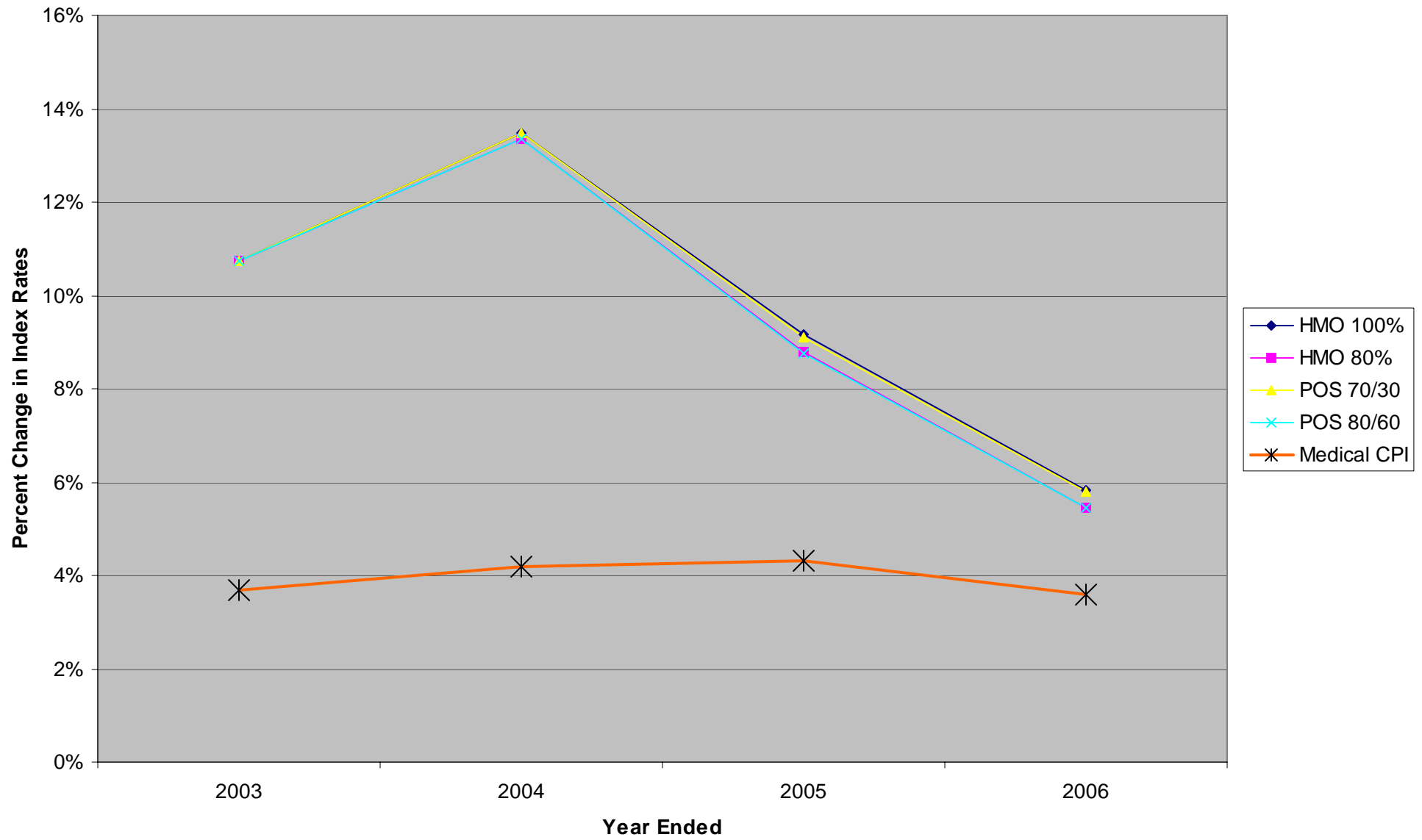
Blue Cross Blue Shield of Michigan



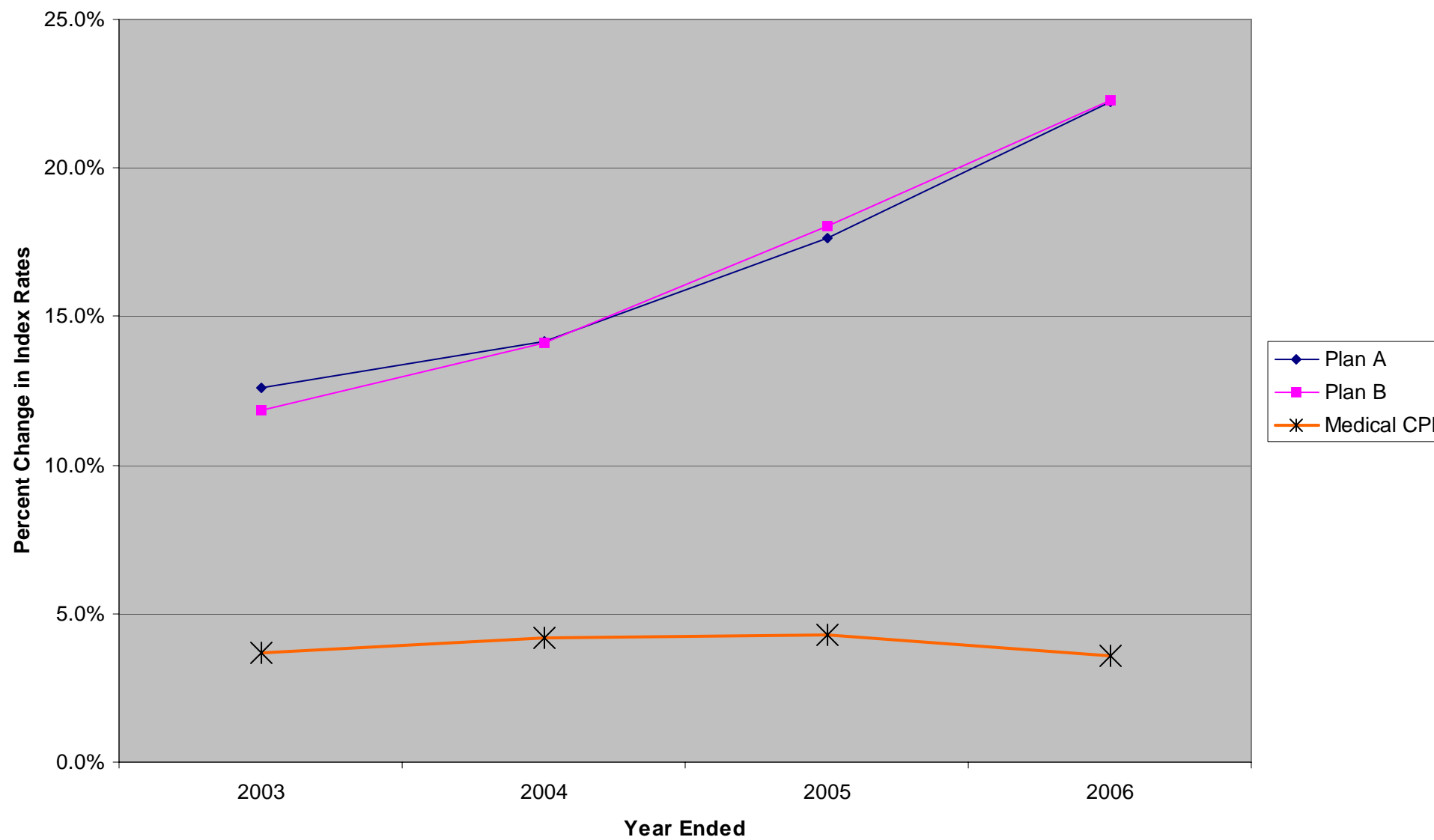
Blue Care Network of Michigan



Priority Health



John Alden Life Insurance Company



The rate of increase for BCBSM, BCN, and Priority Health has steadily declined during the 2003-2006 period. The rate of increase did climb for John Alden. However, this does not seem unreasonable since Chapter 37 required, for the first time, that there be a limit to rate variances based on case characteristics, including health status, of the individuals within a group written by a commercial insurance company.

E. THE OVERALL RATE LEVEL THAT IS NOT EXCESSIVE, INADEQUATE, OR UNFAIRLY DISCRIMINATORY.

Rates charged for the most commonly sold small employer health plans by the carriers previously named in this report can be found in Appendix B to this document

Overall rates charged to small employer groups have continued to rise, but not by the same level of increase seen in earlier years. It is not possible to state with certainty whether the implementation of Chapter 37 impacted this change, since the reduction in the level of rate increases has been a national trend over this same period.

The medical Consumer Price Index (CPI) from 2003-2006 is as follows:

2003:	3.7%
2004:	4.2%
2005:	4.3%
2006:	3.6%

When comparing the rate change reported by the carriers in Appendix B versus the medical CPI, one may note that rates continue to increase at a higher rate than the medical CPI. However, this may be explained by the fact that while the cost increase on a per-service basis may rise only at a moderate rate, the utilization of medical services, especially prescription drugs, continues to rise substantially. Additionally, the types of services utilized (i.e. an x-ray versus an MRI) also drives premium costs upward.

F. OTHER FACTORS THE COMMISSIONER CONSIDERS RELEVANT

The following reflects some of the comments and concerns expressed by those who responded to OFIS' request for input:

1. US Health & Life commented that BCBSM gets the best deals with providers, making it difficult for other carriers to compete based on price. Their suggested solution was to either ban BCBSM from getting discounts from providers or banning providers from giving discounts to the Blues unless they give the same level of discount to all other carriers.

Requiring the provider community to participate with all carriers at a particular reimbursement rate may help some carriers to be more competitive in the market place. However, this practice would seem contrary to the concept of a free market. Without input from the provider community who

would be most impacted by such a change, it is inappropriate for the Commissioner to comment on this issue.

2. Grand Valley Health Plan suggested carriers be prohibited from requiring participation rates for groups from 10-50 employees. This may help some, particularly smaller, carriers become more competitive. Unfortunately, this practice would put carriers at risk of “cherry picking” groups – one of the very purposes the implementation of Chapter 37 sought to alleviate. (“Cherry picking” occurs when the rating practices or benefit plan options cause younger, healthier persons in a group to choose one carrier, while older, sicker persons choose another).

CONCLUSIONS

1. In the three years that Chapter 37 has been in effect, both HMOs and commercial insurance companies have increased their market share in the small employer group health carrier market.
2. Before the legislation creating Chapter 37 was being debated but had not yet passed, much concern was expressed over the exodus of carriers in the market while BCBSM’s market share would continue to climb. This did not occur, and in fact BCBSM has seen a decline in its market share since Chapter 37 was enacted.
3. Notwithstanding the concerns expressed over a lack of limited benefit option plans in the market, as well as concerns over small employer health coverage availability in certain rural geographic areas, there appears to be no lack of carriers operating in the small employer group market, and many, many benefit options from which to choose.

We acknowledge that some HMOs had concerns about a perceived lack of benefit options, but have not heard similar comment by small employers. HMOs, as other carrier types, may currently write catastrophic coverage.

4. The “textured” approach passed by the Michigan legislature that allowed varying case characteristics and rate band widths by carrier type appears to be successful. Commercial carriers who were most concerned over the rating constraints not previously required actually saw an increase in their activity in the market. While the rating changes had the least effect on HMOs, they, too, saw an increase in market share over the 2003-2006 time period.
5. OFIS continues to receive rate complaints from small employer groups, but not with an increased frequency from those received in the past. (Note: this is anecdotal – OFIS tracks complaints, but data is not broken down in such a way that enables staff to tell how many relate to small employer rate complaints).
6. Throughout this period, the financial status of carriers has been relatively stable with carriers maintaining Risk Based Capital in an amount that reflects a healthy industry.

Based on these conclusions as supported by the data found in this report, the Commissioner finds there is a reasonable degree of competition in the small employer health market on a statewide basis.

2003 Small Employer Group

org_name	mem_mon	mi_dprw_amt	Avg. Prem.	% by Prem.	% by Mem
Blue Cross and Blue Shield of Michigan	7,958,965	1,751,083,220	220.01	0.5996	0.5837
PRIORITY HEALTH	1,101,007	218,961,352	198.87	0.0750	0.0807
BLUE CARE NETWORK OF MICHIGAN	973,269	212,954,547	218.80	0.0729	0.0714
HEALTH ALLIANCE PLAN OF MICHIGAN	464,915	101,264,677	217.81	0.0347	0.0341
AMERICAN MEDICAL SECURITY LIFE INSURANCE COMPANY	389,807	58,620,715	150.38	0.0201	0.0286
HUMANA INSURANCE COMPANY	383,078	63,738,570	166.39	0.0218	0.0281
PRINCIPAL LIFE INSURANCE COMPANY	228,324	36,277,741	158.89	0.0124	0.0167
M-CARE	217,755	38,222,872	175.53	0.0131	0.0160
PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	216,784	49,149,084	226.72	0.0168	0.0159
MIDWEST SECURITY LIFE INSURANCE COMPANY	180,078	31,170,416	173.09	0.0107	0.0132
AMERICAN COMMUNITY MUTUAL INSURANCE COMPANY	175,032	53,165,020	303.74	0.0182	0.0128
JOHN ALDEN LIFE INSURANCE COMPANY	160,374	26,677,634	166.35	0.0091	0.0118
CARE CHOICES HMO	139,733	27,038,042	193.50	0.0093	0.0102
HEALTHPLUS OF MICHIGAN, INC	132,756	31,065,674	234.01	0.0106	0.0097
PHYSICIANS HEALTH PLAN OF SOUTH MICHIGAN	132,047	28,570,580	216.37	0.0098	0.0097
IBA HEALTH AND LIFE ASSURANCE COMPANY	113,590	20,865,539	183.69	0.0071	0.0083
TIME INSURANCE COMPANY	109,286	17,157,952	157.00	0.0059	0.0080
THE WELLNESS PLAN	106,216	19,504,230	183.63	0.0067	0.0078
AMERICAN PHYSICIANS ASSURANCE CORPORATION	77,700	8,255,096	106.24	0.0028	0.0057
UNION SECURITY INSURANCE COMPANY	65,757	20,977,188	319.01	0.0072	0.0048
AETNA HEALTH INC.	48,787	10,960,361	224.66	0.0038	0.0036
FEDERATED MUTUAL INSURANCE COMPANY	44,917	8,183,005	182.18	0.0028	0.0033
US HEALTH AND LIFE INSURANCE COMPANY	39,701	14,231,069	358.46	0.0049	0.0029
TRUSTMARK INSURANCE COMPANY	38,552	6,603,499	171.29	0.0023	0.0028
MICHIGAN HEALTH MAINTENANCE ORGANIZATION PLANS, INC.	25,778	4,999,012	193.93	0.0017	0.0019
ALLIANCE HEALTH AND LIFE INSURANCE COMPANY	24,449	5,198,742	212.64	0.0018	0.0018
PHYSICIANS HEALTH PLAN OF SOUTHWEST MICHIGAN, INC.	16,202	4,097,777	252.92	0.0014	0.0012
PARAMOUNT CARE OF MICHIGAN, INC.	14,712	3,145,303	213.79	0.0011	0.0011
CONTINENTAL GENERAL INSURANCE COMPANY	11,392	1,398,857	122.79	0.0005	0.0008
NIPPON LIFE INSURANCE COMPANY OF AMERICA	10,519	2,391,176	227.32	0.0008	0.0008
AVEMCO INSURANCE COMPANY	7,580	57,665	7.61	0.0000	0.0006
UNITED HEALTHCARE INSURANCE COMPANY	6,732	4,293,929	637.84	0.0015	0.0005
GOLDEN RULE INSURANCE COMPANY	5,563	836,833	150.43	0.0003	0.0004
PACIFIC LIFE & ANNUITY COMPANY	4,685	963,239	205.60	0.0003	0.0003
AETNA LIFE INSURANCE COMPANY	3,940	1,086,788	275.83	0.0004	0.0003
GENWORTH LIFE AND HEALTH INSURANCE COMPANY	2,364	52,794	22.33	0.0000	0.0002
TOTAL HEALTH CARE, INC.	2,227	402,189	180.60	0.0001	0.0002
MEGA LIFE AND HEALTH INSURANCE COMPANY, THE	1,073	209,499	195.25	0.0001	0.0001

UNICARE LIFE & HEALTH INSURANCE COMPANY	310	156,708	505.51	0.0001	0.0000
MUTUAL SERVICE LIFE INSURANCE COMPANY	184	48,794	265.18	0.0000	0.0000
METROPOLITAN LIFE INSURANCE COMPANY	84	91,951	1,094.65	0.0000	0.0000
NEW ENGLAND LIFE INSURANCE COMPANY	48	13,932	290.25	0.0000	0.0000
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	24	5,433	226.38	0.0000	0.0000
GOVERNMENT EMPLOYEES INSURANCE COMPANY	0	163	#DIV/0!	0.0000	0.0000
Grand Valley Health Plan	0	14,389,875	#DIV/0!	0.0049	0.0000
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA, THE	0	0	#DIV/0!	0.0000	0.0000
LIBERTY UNION LIFE ASSURANCE COMPANY	0	22,068,058	#DIV/0!	0.0076	0.0000
LIFE INVESTORS INSURANCE COMPANY OF AMERICA	0	17,888	#DIV/0!	0.0000	0.0000
SELECTCARE HMO, INC.	0	0	#DIV/0!	0.0000	0.0000
TRUSTMARK LIFE INSURANCE COMPANY	0	0	#DIV/0!	0.0000	0.0000
ULICO CASUALTY COMPANY	0	0	#DIV/0!	0.0000	0.0000
UNITED OF OMAHA LIFE INSURANCE COMPANY	0	0	#DIV/0!	0.0000	0.0000
Grand Total		13,636,296	2,920,624,688		

2004 Small Employer Group

org_name	mem_mon	mi_dprw_amt	Avg. Prem.	% by prem.	% by mem
Blue Cross and Blue Shield of Michigan	8,667,494	1,703,389,437	196.53	0.5659	0.5907
PRIORITY HEALTH	1,369,240	278,840,680	203.65	0.0926	0.0933
BLUE CARE NETWORK OF MICHIGAN	919,820	229,027,286	248.99	0.0761	0.0627
HEALTH ALLIANCE PLAN OF MICHIGAN	454,321	109,700,794	241.46	0.0364	0.0310
AMERICAN MEDICAL SECURITY LIFE INSURANCE COMPANY	448,179	68,604,178	153.07	0.0228	0.0305
CARE CHOICES HMO	290,390	59,585,770	205.19	0.0198	0.0198
HUMANA INSURANCE COMPANY	283,233	44,687,102	157.78	0.0148	0.0193
PRINCIPAL LIFE INSURANCE COMPANY	257,531	44,475,186	172.70	0.0148	0.0175
MIDWEST SECURITY LIFE INSURANCE COMPANY	235,257	42,609,867	181.12	0.0142	0.0160
M-CARE, INC.	233,375	54,713,492	234.44	0.0182	0.0159
JOHN ALDEN LIFE INSURANCE COMPANY	197,004	34,228,330	173.74	0.0114	0.0134
PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	187,752	46,152,015	245.81	0.0153	0.0128
IBA HEALTH AND LIFE ASSURANCE COMPANY	180,702	34,821,430	192.70	0.0116	0.0123
AMERICAN COMMUNITY MUTUAL INSURANCE COMPANY	160,378	53,447,494	333.26	0.0178	0.0109
HEALTHPLUS OF MICHIGAN, INC	144,865	37,963,419	262.06	0.0126	0.0099
PHYSICIANS HEALTH PLAN OF SOUTH MICHIGAN	128,209	30,320,573	236.49	0.0101	0.0087
TIME INSURANCE COMPANY	103,711	17,599,203	169.69	0.0058	0.0071
UNION SECURITY INSURANCE COMPANY	57,833	9,048,712	156.46	0.0030	0.0039
FEDERATED MUTUAL INSURANCE COMPANY	56,698	10,466,455	184.60	0.0035	0.0039
US HEALTH AND LIFE INSURANCE COMPANY	56,067	21,485,307	383.21	0.0071	0.0038
TRUSTMARK LIFE INSURANCE COMPANY	41,492	0	0.00	0.0000	0.0028
TOTAL HEALTH CARE, INC.	27,905	5,183,164	185.74	0.0017	0.0019
THE WELLNESS PLAN	24,124	4,189,984	173.69	0.0014	0.0016
PARAMOUNT CARE OF MICHIGAN, INC.	23,471	5,523,780	235.34	0.0018	0.0016
MICHIGAN HEALTH INSURANCE COMPANY	21,915	5,105,291	232.96	0.0017	0.0015
AMERICAN PHYSICIANS ASSURANCE CORPORATION	18,630	4,101,646	220.16	0.0014	0.0013
TRUSTMARK INSURANCE COMPANY	11,143	3,289,985	295.25	0.0011	0.0008
NIPPON LIFE INSURANCE COMPANY OF AMERICA	10,036	2,336,310	232.79	0.0008	0.0007
ALLIANCE HEALTH AND LIFE INSURANCE COMPANY	9,869	4,563,709	462.43	0.0015	0.0007
CONTINENTAL GENERAL INSURANCE COMPANY	9,813	1,087,343	110.81	0.0004	0.0007
PHYSICIANS HEALTH PLAN OF SOUTHWEST MICHIGAN, INC.	9,028	2,570,883	284.77	0.0009	0.0006
AETNA HEALTH INC.	8,923	2,240,570	251.10	0.0007	0.0006
UNITED HEALTHCARE INSURANCE COMPANY	5,760	768,948	133.50	0.0003	0.0004
AETNA LIFE INSURANCE COMPANY	5,158	1,519,548	294.60	0.0005	0.0004
AVEMCO INSURANCE COMPANY	4,157	255,480	61.46	0.0001	0.0003
PACIFIC LIFE & ANNUITY COMPANY	3,730	771,969	206.96	0.0003	0.0003
GOLDEN RULE INSURANCE COMPANY	3,598	584,372	162.42	0.0002	0.0002
MEGA LIFE AND HEALTH INSURANCE COMPANY, THE	1,910	57,262	29.98	0.0000	0.0001

GENWORTH LIFE AND HEALTH INSURANCE COMPANY	1,026	8,246	8.04	0.0000	0.0001
UNICARE LIFE & HEALTH INSURANCE COMPANY	439	41,201	93.85	0.0000	0.0000
GUARANTEE TRUST LIFE INSURANCE COMPANY	96	5,441	56.68	0.0000	0.0000
CONSUMERS LIFE INSURANCE COMPANY	36	15,098	419.39	0.0000	0.0000
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	8	831	103.88	0.0000	0.0000
LIBERTY UNION LIFE ASSURANCE COMPANY	0	23,231,544	#DIV/0!	0.0077	0.0000
Grand Valley Health Plan	0	11,169,672	#DIV/0!	0.0037	0.0000
GOVERNMENT EMPLOYEES INSURANCE COMPANY	0	163	#DIV/0!	0.0000	0.0000
ULICO CASUALTY COMPANY	0	0	#DIV/0!	0.0000	0.0000
Grand Total	14,674,326	3,009,789,170	205.11		

2005 Small Employers Group

org_name	mem_mon	mi_dprw_amt	Avg. Prem.	% by prem	% by mem
Blue Cross and Blue Shield of Michigan	6,076,552	1,572,768,782	258.83	0.5546	0.5216
PRIORITY HEALTH	1,390,171	306,936,269	220.79	0.1082	0.1193
BLUE CARE NETWORK OF MICHIGAN	909,087	237,008,086	260.71	0.0836	0.0780
AMERICAN MEDICAL SECURITY LIFE INSURANCE COMPANY	457,614	71,891,702	157.10	0.0254	0.0393
HUMANA INSURANCE COMPANY	402,438	81,138,247	201.62	0.0286	0.0345
PRINCIPAL LIFE INSURANCE COMPANY	303,816	55,710,826	183.37	0.0196	0.0261
HEALTH ALLIANCE PLAN OF MICHIGAN	283,805	71,994,629	253.68	0.0254	0.0244
MIDWEST SECURITY LIFE INSURANCE COMPANY	234,991	52,123,718	221.81	0.0184	0.0202
JOHN ALDEN LIFE INSURANCE COMPANY	207,533	38,022,874	183.21	0.0134	0.0178
CARE CHOICES HMO	150,512	36,066,884	239.63	0.0127	0.0129
M-CARE, INC.	134,000	32,778,402	244.61	0.0116	0.0115
HEALTHPLUS OF MICHIGAN, INC	132,236	34,082,147	257.74	0.0120	0.0114
AMERICAN COMMUNITY MUTUAL INSURANCE COMPANY	127,356	21,732,007	170.64	0.0077	0.0109
IBA HEALTH AND LIFE ASSURANCE COMPANY	118,596	24,009,300	202.45	0.0085	0.0102
PHYSICIANS HEALTH PLAN OF SOUTH MICHIGAN	102,237	26,167,444	255.95	0.0092	0.0088
PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	94,449	24,331,825	257.62	0.0086	0.0081
TIME INSURANCE COMPANY	86,162	15,639,550	181.51	0.0055	0.0074
US HEALTH AND LIFE INSURANCE COMPANY	81,413	32,320,063	396.99	0.0114	0.0070
PARAMOUNT CARE OF MICHIGAN, INC.	64,807	5,300,397	81.79	0.0019	0.0056
FEDERATED MUTUAL INSURANCE COMPANY	60,606	12,126,114	200.08	0.0043	0.0052
UNION SECURITY INSURANCE COMPANY	48,761	9,065,616	185.92	0.0032	0.0042
MICHIGAN HEALTH INSURANCE COMPANY	39,389	10,099,140	256.39	0.0036	0.0034
TRUSTMARK LIFE INSURANCE COMPANY	35,247	0	0.00	0.0000	0.0030
AETNA HEALTH INC.	26,185	6,485,014	247.66	0.0023	0.0022
TOTAL HEALTH CARE, INC.	24,576	5,573,822	226.80	0.0020	0.0021
NIPPON LIFE INSURANCE COMPANY OF AMERICA	13,274	2,853,173	214.94	0.0010	0.0011
ALLIANCE HEALTH AND LIFE INSURANCE COMPANY	6,521	3,198,297	490.46	0.0011	0.0006
AETNA LIFE INSURANCE COMPANY	6,502	1,842,302	283.34	0.0006	0.0006
TOTAL HEALTH CARE USA, INC.	5,580	1,004,978	180.10	0.0004	0.0005
CONTINENTAL GENERAL INSURANCE COMPANY	5,318	591,075	111.15	0.0002	0.0005
UNITED HEALTHCARE INSURANCE COMPANY	3,744	467,238	124.80	0.0002	0.0003
AVEMCO INSURANCE COMPANY	3,040	1,115,131	366.82	0.0004	0.0003
Grand Valley Health Plan	2,672	15,712,305	5,880.35	0.0055	0.0002
PHYSICIANS HEALTH PLAN OF SOUTHWEST MICHIGAN, INC.	2,241	769,857	343.53	0.0003	0.0002
GOLDEN RULE INSURANCE COMPANY	2,133	366,341	171.75	0.0001	0.0002
MEGA LIFE AND HEALTH INSURANCE COMPANY, THE	1,874	308,517	164.63	0.0001	0.0002
UNICARE LIFE & HEALTH INSURANCE COMPANY	1,186	240,379	202.68	0.0001	0.0001
PACIFIC LIFE & ANNUITY COMPANY	1,023	248,946	243.35	0.0001	0.0001

GENWORTH LIFE AND HEALTH INSURANCE COMPANY	996	67,456	67.73	0.0000	0.0001
CONSUMERS LIFE INSURANCE COMPANY	445	189,831	426.59	0.0001	0.0000
GUARANTEE TRUST LIFE INSURANCE COMPANY	132	41,719	316.05	0.0000	0.0000
METROPOLITAN LIFE INSURANCE COMPANY	48	960	20.00	0.0000	0.0000
AMERICAN LIFE INSURANCE COMPANY OF NEW YORK, THE	12	171	14.25	0.0000	0.0000
NEW ENGLAND LIFE INSURANCE COMPANY	12	8,752	729.33	0.0000	0.0000
AMERICAN PHYSICIANS ASSURANCE CORPORATION	0	318,414	#DIV/0!	0.0001	0.0000
GOVERNMENT EMPLOYEES INSURANCE COMPANY	0	100	#DIV/0!	0.0000	0.0000
LIBERTY UNION LIFE ASSURANCE COMPANY	0	22,921,479	#DIV/0!	0.0081	0.0000
ULICO CASUALTY COMPANY	0	0	#DIV/0!	0.0000	0.0000
Grand Total		11,649,292	2,835,640,279		243.42

2006 Small Employer Group

org_name	mem_mon	mi_dprw_amt	Avg. Prem.	% by prem	% by mem
Blue Cross and Blue Shield of Michigan	4,918,196	1,312,152,156	266.80	0.4522	0.4247
PRIORITY HEALTH	1,322,361	308,301,789	233.14	0.1063	0.1142
CARE CHOICES HMO	1,132,241	300,891,558	265.75	0.1037	0.0978
BLUE CARE NETWORK OF MICHIGAN	916,745	237,761,086	259.35	0.0819	0.0792
PRINCIPAL LIFE INSURANCE COMPANY	374,284	72,236,360	193.00	0.0249	0.0323
AMERICAN MEDICAL SECURITY LIFE INSURANCE COMPANY	340,466	54,403,355	159.79	0.0187	0.0294
HUMANA INSURANCE COMPANY	325,756	69,788,391	214.24	0.0241	0.0281
IBA HEALTH AND LIFE ASSURANCE COMPANY	260,542	53,856,040	206.71	0.0186	0.0225
HEALTH ALLIANCE PLAN OF MICHIGAN	246,732	64,947,136	263.23	0.0224	0.0213
M-CARE	225,669	58,771,040	260.43	0.0203	0.0195
MIDWEST SECURITY LIFE INSURANCE COMPANY	222,392	47,882,718	215.31	0.0165	0.0192
JOHN ALDEN LIFE INSURANCE COMPANY	187,358	37,282,680	198.99	0.0128	0.0162
US HEALTH AND LIFE INSURANCE COMPANY	173,652	36,004,158	207.34	0.0124	0.0150
MICHIGAN HEALTH INSURANCE COMPANY	165,727	46,084,395	278.07	0.0159	0.0143
PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	153,304	46,009,839	300.12	0.0159	0.0132
PHYSICIANS HEALTH PLAN OF SOUTH MICHIGAN	101,251	28,697,849	283.43	0.0099	0.0087
AMERICAN COMMUNITY MUTUAL INSURANCE COMPANY	94,913	12,277,345	129.35	0.0042	0.0082
TIME INSURANCE COMPANY	85,848	16,936,471	197.28	0.0058	0.0074
AETNA LIFE INSURANCE COMPANY	64,595	13,506,396	209.09	0.0047	0.0056
FEDERATED MUTUAL INSURANCE COMPANY	62,421	13,212,841	211.67	0.0046	0.0054
Grand Valley Health Plan	38,559	8,313,468	215.60	0.0029	0.0033
UNION SECURITY INSURANCE COMPANY	38,398	7,972,095	207.62	0.0027	0.0033
TOTAL HEALTH CARE USA, INC.	32,209	7,278,887	225.99	0.0025	0.0028
PARAMOUNT CARE OF MICHIGAN, INC.	24,659	6,579,250	266.81	0.0023	0.0021
ALLIANCE HEALTH AND LIFE INSURANCE COMPANY	20,140	5,095,752	253.02	0.0018	0.0017
TRUSTMARK LIFE INSURANCE COMPANY	19,201	0	0.00	0.0000	0.0017
NIPPON LIFE INSURANCE COMPANY OF AMERICA	17,873	3,862,944	216.13	0.0013	0.0015
MEGA LIFE AND HEALTH INSURANCE COMPANY, THE	3,954	590,843	149.43	0.0002	0.0003
CONTINENTAL GENERAL INSURANCE COMPANY	2,712	385,457	142.13	0.0001	0.0002
UNITED HEALTHCARE INSURANCE COMPANY	1,932	349,991	181.15	0.0001	0.0002
UNICARE LIFE & HEALTH INSURANCE COMPANY	1,799	339,501	188.72	0.0001	0.0002
GENWORTH LIFE AND HEALTH INSURANCE COMPANY	1,758	36,674	20.86	0.0000	0.0002
PHYSICIANS HEALTH PLAN OF SOUTHWEST MICHIGAN, INC.	1,151	439,369	381.73	0.0002	0.0001
MCLAREN HEALTH PLAN, INC.	894	214,767	240.23	0.0001	0.0001
AETNA HEALTH INC.	714	212,335	297.39	0.0001	0.0001
GUARANTEE TRUST LIFE INSURANCE COMPANY	357	170,036	476.29	0.0001	0.0000
CONSUMERS LIFE INSURANCE COMPANY	232	132,582	571.47	0.0000	0.0000
PACIFIC LIFE & ANNUITY COMPANY	100	166,077	1,660.77	0.0001	0.0000

MADISON NATIONAL LIFE INSURANCE COMPANY, INC.	96	18,769	195.51	0.0000	0.0000
WILTON REASSURANCE LIFE COMPANY OF NEW YORK	12	90	7.50	0.0000	0.0000
CHESAPEAKE LIFE INSURANCE COMPANY, THE	4	17,338	4,334.50	0.0000	0.0000
AVEMCO INSURANCE COMPANY	0	0	#DIV/0!	0.0000	0.0000
GOLDEN RULE INSURANCE COMPANY	0	189,694	#DIV/0!	0.0001	0.0000
LIBERTY UNION LIFE ASSURANCE COMPANY	0	27,526,492	#DIV/0!	0.0095	0.0000
METROPOLITAN LIFE INSURANCE COMPANY	0	705	#DIV/0!	0.0000	0.0000
NEW ENGLAND LIFE INSURANCE COMPANY	0	4,822	#DIV/0!	0.0000	0.0000
TOTAL HEALTH CARE, INC.	0	399,237	#DIV/0!	0.0001	0.0000
ULICO CASUALTY COMPANY	0	0	#DIV/0!	0.0000	0.0000
STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK		285,168	#DIV/0!	0.0001	0.0000
Grand Total		11,581,207	2,901,585,946		250.54